

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                         |  |                 |
|--|-------------------------|--|-----------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                         | Local Unit Name<br>Port Austin Fire Department | County<br>Huron |
| Fiscal Year End<br>3/31/05   | Opinion Date<br>6/29/06 | Date Audit Report Submitted to State<br>9/5/06 |                 |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |             |
|--|-------------------------------------|--|-------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |             |
| Financial Statements   | <input checked="" type="checkbox"/> |  |             |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |             |
| Other (Describe)   | <input type="checkbox"/>            |  |             |
| Certified Public Accountant (Firm Name)<br>Brining & Nartker, P.C.                             |                                     | Telephone Number<br>(989) 269-9909         |             |
| Street Address<br>64 Westland Drive  |                                     | City<br>Bad Axe                            | State<br>MI |
| Zip<br>48413   |                                     | License Number<br>08283                    |             |
| Authorizing CPA Signature<br><i>Brining &amp; Nartker, P.C. by: Douglas P. Brining, C.P.A.</i> |                                     | Printed Name<br>Douglas P. Brining, C.P.A. |             |

**PORT AUSTIN FIRE DEPARTMENT  
PORT AUSTIN, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2005**

**PORT AUSTIN FIRE DEPARTMENT**

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# BRINING & NARTKER, P.C.

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

Port Austin Fire Board  
Port Austin Fire Department  
Port Austin, Michigan 48467

We have audited the accompanying basic financial statements of the Port Austin Fire Department, as of March 31, 2005, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Port Austin Fire Department. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Port Austin Fire Department as of March 31, 2005, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the financial statements, the Port Austin Fire Department has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Brining & Nartker, P.C.*  
BRINING & NARTKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 29, 2006

## **BASIC FINANCIAL STATEMENTS**

**PORT AUSTIN FIRE DEPARTMENT  
STATEMENT OF NET ASSETS  
MARCH 31, 2005**

ASSETS:

Current assets:

|                      |                |
|----------------------|----------------|
| Cash                 | \$ 197,425     |
| Accounts receivable  | 21,015         |
| Total current assets | <u>218,440</u> |

Noncurrent assets:

|  |         |
|--|---------|
| Capital assets (net of accumulated depreciation) | 234,640 |
|--|---------|

|              |                |
|--------------|----------------|
| TOTAL ASSETS | <u>453,080</u> |
|--------------|----------------|

LIABILITIES

-

NET ASSETS:

|                                    |         |
|------------------------------------|---------|
| Investment in capital fixed assets | 234,640 |
| Unrestricted                       | 218,440 |

|                  |                          |
|------------------|--------------------------|
| TOTAL NET ASSETS | <u><u>\$ 453,080</u></u> |
|------------------|--------------------------|

The accompanying notes are an integral part of the financial statements.

**PORT AUSTIN FIRE DEPARTMENT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005**

**PROGRAM EXPENSES:**

Public Safety

|                                      |           |
|--------------------------------------|-----------|
| Personal services                    | \$ 19,892 |
| Supplies                             | 3,590     |
| Professional and contracted services | 140       |
| Communications                       | 857       |
| Utilities                            | 3,456     |
| Repairs                              | 2,617     |
| Insurance                            | 11,309    |
| Other                                | 3,555     |
| Depreciation expense                 | 26,560    |

**TOTAL PROGRAM EXPENSES**

71,976

**PROGRAM REVENUES:**

Charges for services

**TOTAL PROGRAM REVENUES**

5,800

5,800

**NET PROGRAM REVENUE**

(66,176)

**GENERAL REVENUES:**

Property taxes

Interest

Other

**SPECIAL ITEM:**

Gain on sale of equipment

68,119

1,630

3

800

**TOTAL GENERAL REVENUES AND SPECIAL ITEM**

70,552

**CHANGE IN NET ASSETS**

4,376

**NET ASSETS - BEGINNING OF YEAR**

448,704

**NET ASSETS - END OF YEAR**

\$ 453,080

The accompanying notes are an integral part of the financial statements.

**PORT AUSTIN FIRE DEPARTMENT  
GOVERNMENTAL FUND BALANCE SHEET  
MARCH 31, 2005**

GENERAL FUND

ASSETS

|                       |                          |
|-----------------------|--------------------------|
| Cash                  | \$ 197,425               |
| Accounts receivable - |                          |
| Hume Township         | 1,823                    |
| Port Austin Township  | 19,192                   |
| <b>TOTAL ASSETS</b>   | <u><u>\$ 218,440</u></u> |

LIABILITIES AND FUND BALANCE

|   |                          |
|---|--------------------------|
| <b>LIABILITIES</b>                        | \$ -                     |
| <b>FUND BALANCE:</b>                      |                          |
| Reserved                                  | 3,776                    |
| Unreserved                                | 214,664                  |
| <b>TOTAL FUND BALANCE</b>                 | <u>218,440</u>           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u><u>\$ 218,440</u></u> |

**PORT AUSTIN FIRE DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2005**

|   |                          |
|---|--------------------------|
| Total governmental fund balance   | \$ 218,440               |
| Amounts reported for governmental activities in the statement of net assets are different because:                      |                          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 234,640                  |
| <b>Net assets of governmental activities</b>  | <u><u>\$ 453,080</u></u> |

The accompanying notes are an integral part of the financial statements.



**PORT AUSTIN FIRE DEPARTMENT  
GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2005**

|   | <u>GENERAL<br/>FUND</u>  |
|---|--------------------------|
| REVENUES:                               |                          |
| Tax levy                                | \$ 68,119                |
| Fire run fees                           | 2,800                    |
| Fee - Pte Aux Barques                   | 3,000                    |
| Interest                                | 1,630                    |
| Miscellaneous                           | 3                        |
|   | -                        |
| TOTAL REVENUES                          | <u>75,552</u>            |
| EXPENDITURES:                           |                          |
| Current:                                |                          |
| Public safety                           | 45,416                   |
| Capital outlay                          | 8,526                    |
| TOTAL EXPENDITURES                      | <u>53,942</u>            |
| EXCESS OF REVENUES OVER<br>EXPENDITURES | <u>21,610</u>            |
| OTHER FINANCING SOURCES:                |                          |
| Proceeds from sale of assets            | 800                      |
| NET CHANGE IN FUND BALANCE              | <u>22,410</u>            |
| FUND BALANCE - APRIL 1, 2004            | 196,030                  |
| FUND BALANCE - MARCH 31, 2005           | <u><u>\$ 218,440</u></u> |

**PORT AUSTIN FIRE DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005**

|  |                        |
|--|------------------------|
| Net change in fund balance   | \$ 22,410              |
| Amounts reported for governmental activities in the statement of activities are different because:   |                        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: |                        |
| Capital outlay   | 8,526                  |
| Depreciation   | (26,560)               |
| Proceeds from sale of assets is a financing source in governmental funds but gain or loss is recognized in the statement of activities based on asset cost net of depreciation.  |                        |
| Proceeds   | (800)                  |
| Gain on sale of assets   | 800                    |
| Change in net assets of governmental activities  | <u><u>\$ 4,376</u></u> |

The accompanying notes are an integral part of the financial statements.

**PORT AUSTIN FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Port Austin Fire Department conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Port Austin Fire Department.

**Description of Operations**

The Fire Department was formed pursuant to the terms of an interlocal agreement dated May 14, 1990. Its purpose is to provide fire protection and allied services within the boundaries of the constituent units which include the Village of Port Austin and the Township of Port Austin in Huron County, Michigan. As of April 1, 1999, it provided services to Hume Township in Huron County. Effective April 1, 2001, the Fire Department contracted with Hume Township for ten years of protection at .5 mills for stand by fees and \$350 per run. Each year will vary based on the taxable value and the Headlee Rollback as to the standby fees. The Fire Department also provides coverage to Point Aux Barques Township in Huron County for \$3,000 per year, plus \$400 per call.

The Fire Department operates under an appointed Board consisting of two representatives from each constituent unit and one additional member appointed by a majority vote of all members of the Board from the constituent units. All representatives are appointed by their respective governing bodies by resolution and serve until a successor is appointed. Each board member must be a resident of the constituent unit which he (or she) represents. A board member shall not be an employee or member of the Fire Department.

**Reporting Entity**

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB No. 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Fire Department is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on these provisions there are no organizations that are deemed to be component units of the Fire Department. The Port Austin Fire Department is deemed to be a joint venture between the constituent units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statement (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(Continued)

**PORT AUSTIN FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Capital Assets**

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements. Capital assets are assets with an estimated life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value on the date of donation. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

|           |              |
|-----------|--------------|
| Equipment | 5 – 20 years |
|-----------|--------------|

**Accounting Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS**

The budget for the General Fund is prepared on a basis consistent with generally accepted accounting principles and adopted to the line item level. All annual appropriations lapse at year-end. The General Fund does not utilize encumbrance accounting.

**Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, actual expenditures exceeded budgeted expenditures, as follows:

|                        | <u>AMOUNT<br/>APPROPRIATED</u> | <u>AMOUNT OF<br/>EXPENDITURE</u> | <u>BUDGET<br/>VARIANCE</u> |
|------------------------|--------------------------------|----------------------------------|----------------------------|
| Materials and supplies | \$ 900                         | \$ 906                           | \$ 6                       |
| Miscellaneous          | \$ 500                         | \$ 520                           | \$ 20                      |

**NOTE 3 – CASH:**

The Fire Department's cash account consists of a checking account, an interest bearing savings account, and an interest bearing savings account reserved for the purchase of equipment. As of March 31, 2005, the carrying amount and the bank balance of the accounts amounted to \$197,425 and \$167,321 respectively, \$100,000 of which is covered by federal depository insurance.

**PORT AUSTIN FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)**

**NOTE 4 – CAPITAL ASSETS:**

Capital assets activity for the current year was as follows:

|   | BALANCE<br>APRIL 1,<br><u>2004</u> | <u>INCREASES</u>   | <u>DECREASES</u> | BALANCE<br>MARCH 31,<br><u>2005</u> |
|---|------------------------------------|--------------------|------------------|-------------------------------------|
| Capital Assets Being Depreciated<br>Equipment                 | \$ 441,308                         | \$ 8,526           | \$ -             | \$ 449,834                          |
| Less Accumulated Depreciation for<br>Equipment                | 188,634                            | 26,560             | -                | 215,194                             |
| Governmental Activity Net<br>Capital Assets Being Depreciated | <u>\$ 252,674</u>                  | <u>\$ (18,034)</u> | <u>\$ -</u>      | <u>\$ 234,640</u>                   |

**NOTE 5 – TAX LEVY:**

The Township of Port Austin assesses all township and village residents a millage for fire protection services and, upon collection, remits the tax levy to the Port Austin Fire Department.

**NOTE 6 – RISK MANAGEMENT:**

The Fire Department is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Fire Department participates in the Michigan Municipal Liability and Property Pool for claims related to property loss, general liability, errors and omissions and auto liability. The Pool operates as a common risk-sharing management program for governmental units in Michigan. Member premiums are used to purchase insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY:**

For the year ended March 31, 2005, the Fire Department implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. It creates new basic financial statements which now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements.

As a result of implementing GASB Statement No. 34, net assets were restated at April 1, 2004 as follows:

|                      | <u>GOVERNMENTAL<br/>FUNDS</u> |
|----------------------|-------------------------------|
| Fund Balance         | \$ 196,030                    |
| Capital Assets - Net | 252,674                       |
| Net Assets - April 1 | <u>\$ 448,704</u>             |

## **SUPPLEMENTAL INFORMATION**

**PORT AUSTIN FIRE DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2005**

|   | ORIGINAL<br>BUDGET | AMENDED<br>BUDGET | ACTUAL            | VARIANCE-<br>FAVORABLE<br>(UNFAVORABLE) |
|---|--------------------|-------------------|-------------------|---|
| REVENUES:                                       |                    |                   |                   |   |
| Tax levy  | \$ 68,000          | \$ 48,873         | \$ 68,119         | \$ 19,246                               |
| Fire run fees                                   | 2,500              | 1,750             | 2,800             | 1,050                                   |
| Fee - Pte. Aux Barques                          | 3,000              | -                 | 3,000             | 3,000                                   |
| Interest  | 2,000              | 1,100             | 1,630             | 530                                     |
| Miscellaneous                                   | 350                | 743               | 3                 | (740)                                   |
| TOTAL REVENUES                                  | <u>75,850</u>      | <u>52,466</u>     | <u>75,552</u>     | <u>23,086</u>                           |
| EXPENDITURES:                                   |                    |                   |                   |   |
| Board fees                                      | 1,800              | 1,440             | 1,440             | -                                       |
| Worker's compensation                           | 1,500              | 1,585             | 1,585             | -                                       |
| Life/AD & D insurance                           | 1,775              | 1,775             | 1,772             | 3                                       |
| Medical expenses                                | 1,000              | 200               | 109               | 91                                      |
| Social security taxes                           | 1,250              | 1,250             | 1,237             | 13                                      |
| Office expense                                  | 800                | 675               | 666               | 9                                       |
| Materials and supplies                          | 800                | 900               | 906               | (6)                                     |
| Professional services                           | 1,000              | 150               | 140               | 10                                      |
| Firefighter fees                                | 14,000             | 14,800            | 14,733            | 67                                      |
| Firefighter gear                                | 13,000             | 6,000             | 643               | 5,357                                   |
| Telephone                                       | 1,000              | 875               | 857               | 18                                      |
| Gas and oil                                     | 1,500              | 1,500             | 1,375             | 125                                     |
| General insurance                               | 9,500              | 9,750             | 9,724             | 26                                      |
| Utilities                                       | 3,500              | 3,500             | 3,456             | 44                                      |
| Equipment repairs                               | 5,000              | 5,000             | 2,279             | 2,721                                   |
| Building repairs                                | 300                | 400               | 339               | 61                                      |
| Miscellaneous                                   | 600                | 500               | 520               | (20)                                    |
| Training and mileage                            | 4,800              | 3,500             | 3,035             | 465                                     |
| Other benefits                                  | 800                | 600               | 600               | -                                       |
| Capital outlay                                  | 15,000             | 63,110            | 8,526             | 54,584                                  |
| TOTAL EXPENDITURES                              | <u>78,925</u>      | <u>117,510</u>    | <u>53,942</u>     | <u>63,568</u>                           |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES | <u>(3,075)</u>     | <u>(65,044)</u>   | <u>21,610</u>     | <u>86,654</u>                           |
| OTHER FINANCING SOURCES:                        |                    |                   |                   |   |
| Proceeds from sale of assets                    | -                  | -                 | 800               | 800                                     |
| NET CHANGE IN FUND BALANCE                      | <u>(3,075)</u>     | <u>(65,044)</u>   | <u>22,410</u>     | <u>87,454</u>                           |
| FUND BALANCE - APRIL 1, 2004                    | 196,030            | 196,030           | 196,030           | -                                       |
| FUND BALANCE - MARCH 31, 2005                   | <u>\$ 192,955</u>  | <u>\$ 130,986</u> | <u>\$ 218,440</u> | <u>\$ 87,454</u>                        |

# BRINING & NARTKER, P.C.

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June 29, 2006

Port Austin Fire Board  
Port Austin Fire Department  
Port Austin, Michigan 48467

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Port Austin Fire Department for the year ended March 31, 2005 and are submitted for your evaluation and consideration. We would like to emphasize that, since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

## **Capitalization Policy**

The process of implementing GASB Statement No. 34 requires a conversion from the fund financial statements to the government-wide financial statements. Capital assets are one of the items for which the accounting treatment differs between these two types of statements. For purposes of the government-wide statements, capital assets, which include buildings and equipment, are defined as being tangible in nature with an estimated useful life of two or more years and an original cost over a specified dollar threshold (e.g. \$1,000 or \$2,000). The cost of these capital assets is recorded in the government-wide statement of net assets and depreciated over the estimated useful life of the asset whereas the cost is treated as a current year expenditure for purposes of the fund financial statements.

We recommend that the Board adopt a capitalization policy that defines the criteria for recording a capital asset. This policy should include a dollar threshold over which the cost of an asset would be capitalized and the estimated useful lives for the various types of assets owned/used by the Fire Department.

We wish to take this opportunity to thank the officials with whom we have worked for the cooperation we received throughout our audit. As always, our firm will be happy to assist in implementing any recommendations approved by the Board.



Brining & Nartker, P.C.  
Certified Public Accountants